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THE EUROPEAN UNION AND THE GULF STATES: A GROWING PARTNERSHIP

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The European Union (EU) pursues a three-tiered approach with regard to the Arab countries of the Middle East. On a general level, it entered into the so-called Euro-Arab Dialogue with the Arab League. This dialogue has not been very effective and has even been pronounced dead by some authors.² On a more specific level, the EU tries to realize a policy of integration with regard to the countries of the southern Mediterranean. This policy is based on cooperation agreements with several southern Mediterranean countries on the one hand, and on the Euro-Mediterranean partnership launched with the 1995 Barcelona Declaration on the other.³ Third, since 1988 the EU has engaged in a dialogue with the member states of the Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. While European policy vis-à-vis the Mediterranean countries has received a great amount of scholarly attention, literature on the relations between the EU and the GCC is scarce.⁴

This essay seeks to address the relationship between the two regional alliances as it has evolved since 1988, when the EU-GCC cooperation agreement was signed. Trying to shed light on the partnership, I will first discuss the 1988 agreement, which laid the groundwork for future relations. As a second step, I will concentrate on the stakes that the signatories have had in strengthening their ties. I will then trace how the relationship has developed and analyze the levels of cooperation.

THE AGREEMENT

During the mid-eighties the European Community and the member-states of the GCC entered into discussions aimed at furthering cooperation. In 1988 these talks resulted in a Cooperation Agreement, which entered into force in January 1990.⁵ This agreement, comprising the institutional framework for the relationship between the European Union and the GCC, states three general objectives: Relations between the European Community and the GCC countries shall be strengthened by placing

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them in an institutional framework; economic and technical cooperation relations are to be broadened; and development and diversification in the GCC countries shall be promoted, thus reinforcing these countries' role in contributing to peace and stability in the region.

On the one hand, these goals are to be realized through economic cooperation. This entails promoting efforts of the GCC countries to develop their productive sectors and diversify their economies. It also means encouraging technology transfer and development, particularly through joint ventures. In addition, cooperation in the fields of standards and measurements is to be pursued. The diverse economic sectors covered include agriculture and fisheries as well as industry and energy. The agreement addresses trade relations between the signatories and their part in the realization of the general objectives. Here the agreement calls for discussions ultimately leading to the signing of a free-trade agreement.

To achieve the stated objectives, a Joint Council was established which "shall periodically define the general guidelines of cooperation."⁶ Composed of representatives of both contracting sides, this Joint Council acts according to mutual agreement. It is to meet at least once every year, and its decisions are binding. To facilitate its work, the agreement provided for a subsidiary structure, the Joint Cooperation Committee. In addition, the Council may set up any other committee it deems necessary.

Since the agreement entered into force, the Joint Council has convened as planned once every year, with the exception of 1995, when the two sides met in Granada, Spain, in Troika formation,⁷

marking a turning point in the relationship. In addition to the sessions of the Joint Council, foreign ministers met in April 1998 in London, and in September 1995⁸ and 1998 at the margins of the U.N. General Assembly in New York.⁹ For the Joint Council sessions, the rank of government representatives varies between senior official and foreign minister: In 1996 a majority of governments were represented by their foreign ministers. In 1998, a year in which the decisions that were to be made were less fundamental, the governments on both sides were represented by ministers as well as by senior-level officials. This indicates that these meetings have relatively high priority for the signatories. It is important to note the difficulty in convening a meeting for 21 ministers, each of whom has a diverse range of policy obligations.

THE STAKES

Why have the two sides wished to strengthen their ties and negotiate a free-trade agreement? Generally speaking, while the European Union is a major diversified trading bloc that relies heavily on the export of manufactured products, the economies of the GCC countries are dominated by the energy sector. In fact, oil and petroleum make up 95 percent of total exports by GCC countries.¹⁰ Therefore, for these countries, high world energy prices lead to high profits. For the EU the opposite is true; since energy is an input that contributes to production costs, the EU favors low energy prices not only for itself, but also for those economies with which its fate is inextricably linked through trade. This signifies two things: First, since developing countries' demand for oil is bound to increase, production facilities

need to be expanded to meet world demands without considerable rise in price.¹¹ Secondly, it is in the interest of the trading nations to raise the stakes that the GCC countries have in their economic fate. This can come about either through GCC economic diversification or through investment in EU industrial sectors.

On the side of the GCC it is worth mentioning that their trade relations with the EU are highly skewed – the GCC countries tend to have a trade-balance surplus with the world, but a trade balance deficit with the EU. When they have a deficit with the world, it tends to be lower than the deficit with the EU.¹² Also, while exports to the EU are a small percentage of their exports to the world, the share of imports that comes from the EU is relatively large. At the same time, the population growth rate of these states is very high. According to Cordesman¹³ it has ranged between 1.78 (UAE) and 4.1 (Kuwait) in 1998. Large investment is needed to keep up with this growth and meet the demands that the population of these countries will place on their welfare states, if political instability is to be avoided.

Economic cooperation and trade liberalization with the European Union in the field of petroleum products is highly desirable for the GCC. Not only is the European Union an important trading partner, but the flow of goods has also been very uneven, causing a trade balance deficit on the side of the Gulf states. In addition, GCC economies are heavily dependent on the export of oil and suffer from highly volatile world prices, which render economic planning difficult and can lead to high budget deficits. Cooperation with the EU thus helps the Gulf states in achieving three major goals: (1) Through

trade liberalization they can secure duty-free access for their petroleum products to the EU common market; (2) being a recognized political and trade partner renders lobbying efforts more legitimate and thus facilitates protecting GCC trade against possible EU tax increases; (3) European investment in the GCC states brings about the much coveted technology transfer that will help these countries diversify their economies and reduce their dependence on world oil prices. Furthermore, a closer relationship with the EU provides the additional advantage of strengthening the solidarity of a political partner that shares the Gulf states' interest in regional stability. This might, for example, be helpful for the United Arab Emirates, which finds itself in a dispute with Iran over the islands of Abu Musa and the Greater and Lesser Tunbs.

On the side of the EU there are important advantages to a close partnership as well. For one, it provides an ally in the region that is interested in political stability and in keeping shipping routes open. In addition, the Gulf states can act as brokers between EU member-states and other Middle Eastern countries with which these states are on different terms. Saudi Arabia, which mediated the Lockerbie negotiations between Libya and the United States, might provide a bridge to Iran, for instance. Further, greater investment of Gulf-state nationals in the EU creates a business class in the Gulf states that has a vested interest in a sound European economy. When the EU economy is suffering due to high oil prices, these individuals can be counted on to exert pressure on their governments to ease the situation.

As Luciani¹⁴ points out, there are

important reasons for cooperation between European oil companies and the national oil companies of the Gulf states, which should lead to vertical re-integration through cross-investment.

The governments of the oil-exporting countries have an incentive to diversify and acquire other assets, such as downstream facilities at home and abroad. However, this cannot be done without granting refining and distribution companies access to the lucrative upstream business.

Representatives of the refining sector will not be willing to grant access to their side of the business without gaining similar concessions from the oil producers. Also, unless downstream companies are able to invest upstream, the governments of the importing countries, trying to maintain competition, will resist downstream integration of the major producers.

According to Luciani, another argument that should induce producing countries to grant access to firms active in the downstream sector is the fact that the upstream industry is characterized by huge non-retrievable development costs. This means that it is in the producers' interest to prevent new competitors from developing their discoveries and entering the market. Since development costs are sunk, i.e. non-retrievable, keeping a new discovery in production is reasonable even if prices drop below the break-even point of zero profit, as long as direct costs are recovered. Thus development of a new oil field may mean that competition between the new market

entrant and the established producer, which takes place only on the basis of direct cost, not on the basis of development expenses, leads to losses for the latter. Therefore, by allowing European companies to engage in upstream activities in the Gulf, the Gulf states can prevent them from developing new discoveries elsewhere in the world and driving their profits down. Oil-import-

ing countries, for their part, have an interest in stable oil prices and will be willing to stick with an energy source which may be costlier

at times but which is more stable.

The European Commission follows such a line of argument when it states that "there is no doubt that the underlying realities of energy interdependence would be reinforced by greater cross-investments, with more GCC investment in EU refining and downstream activities, accompanied by EU countries' investment in GCC upstream and downstream energy and energy-related activities."¹⁵ Cross-investments thus help secure the EU's future energy supply and are, therefore, very much in its interest. Additionally, research or other cooperation projects in the Gulf region that benefit the members of the GCC help maintain goodwill and faith in the partnership.

THE THREE PILLARS OF COOPERATION

The cooperation between the EU and the members of the GCC rests on three pillars: political cooperation, free trade negotiations and economic cooperation.

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Two of these are specified in the agreement, and one has been added.

Political Cooperation

Even though the cooperation agreement does not call for negotiation of common political positions among the signatories, the forum provided by the sessions of the Joint Council has been used to discuss political issues of mutual concern and to arrive at common policy stances. In fact, in the communications issued by the Joint Council after each session, political statements make up the bulk. For the most part, these concern politics in the Middle East. In 1998, for example, the participants stressed their desire for regional stability. They declared their intention to promote the creation of a zone free of nuclear and other weapons of mass destruction in the Middle East. They committed themselves to the unity, territorial integrity and sovereignty of Iraq. At

the same time, they called for the full implementation of all Security Council resolutions pertaining to Iraq and discussed the situation of

Kuwaiti prisoners of war. In the 1998 communiqué, the ministers also addressed the latest developments in Iran and the current state of the dispute between Iran and the UAE over the three disputed islands in the Strait of Hormuz. They repeated their support for a peaceful resolution of that dispute in accordance with international law, which is consistent with the UAE strategy of having the dispute settled by the International Court of Justice in the Hague.¹⁶ They deliberated

on the latest developments in the Middle East Peace process and called upon Israel to withdraw its forces from Southern Lebanon.

Yet the discussions of the 1998 Joint Council did not revolve solely around the Middle East. Regarding the civil war in Afghanistan, the ministers urged all governments to cease intervention in the conflict. And on the issue of Kosovo, they emphasized the absolute urgency of improving the humanitarian situation in that region. This is consistent with the policies pursued by the Gulf states, which have been very active in sending provisions and installing facilities aimed at improving the condition of the Kosovo refugees.

The ministers also addressed the conflict between India and Pakistan and voiced their grave concern about the nuclear tests conducted by these two countries in May 1998. They urged all

states to sign the Comprehensive Test Ban Treaty and welcomed the Ottawa Convention aiming at a universal ban on antipersonnel mines. The

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importance of the Biological and Toxic Weapons Convention and support for the Chemical Weapons Convention were also aired.

Finally, they reaffirmed their opposition to all forms of terrorism. The GCC ministers, "while noting the diversity of systems of values, which should be taken fully into consideration, joined the EU ministers in reiterating their continuing commitment to the promotion of human rights."¹⁷

Several of these statements, such as

those on the dispute between the UAE and Iran, the wish to establish a zone free of weapons of mass destruction in the Middle East as well as the declaration regarding human rights, appear in almost identical form in earlier communications issued by the Joint Council.¹⁸ Others are new. Originally the Joint Council was created for the purpose of enhancing economic cooperation as well as promoting trade negotiations. However, the fact that it has been used for political, non-economic purposes is not amazing: One track along which the member-states of the EU have sought to further integration is foreign policy. A common foreign policy, or a common stance vis-à-vis the outside world, enhances the political leverage of the Union and, as a consequence, its members. This has been recognized and is laid down in the Maastricht and Amsterdam treaties. Achieving this objective has been rather elusive, for it is not one government that has to arrive at an issue position, but fifteen. This creates the need for extensive communication, bargaining and the making of side-payments to those countries that have less political capital but oppose issue stances favored by the stronger ones. The issue becomes even more complicated when these 15 states have to negotiate positions with several other countries at the same time, as is the case for the political alliance that constitutes the GCC. From this perspective, the sessions of the Joint Council provide a welcome opportunity for the representatives of both sides to exchange views on various political issues.

Trade

The second pillar on which EU-GCC cooperation has rested is the trade liberalization talks. Progress in this particular

area has been slow, and this has tended to impair the relationship between the two blocs and frustrate the signatories.

While arguments for consolidating the relationship between the two alliances, both in terms of trade and economic cooperation, are compelling, representatives of national governments are under multiple constraints when making their decisions, and the implementation of an international agreement is only one of them. Among the constraints that have influenced the progress of trade-liberalization talks, three stand out. First, for the different governments constituting an alliance, the costs of arriving at a common negotiating position often differ, and a compromise has to be found. This takes time and delays negotiations with the other side. Second, the interests of national lobbies that can directly or indirectly affect the governments' prospects of staying in power are an important factor influencing the position of one side. Lastly, there may be other policy goals that are incompatible with trade liberalization and enhanced cooperation.

All these factors apply to the relationship between the members of the GCC and the EU, and they have impeded progress in the trade-liberalization talks considerably. One precondition on which the European Union has based its willingness to negotiate a free-trade agreement has been the creation of a GCC customs union. As of now, free trade exists for goods that originated in one of the GCC member-states, but external tariff structures differ widely. The UAE has traditionally depended on foreign trade. It is therefore in favor of lowering tariffs throughout the region. Saudi Arabia, on the other hand, tries to protect local industry by levying

high external tariffs of 12 to 20 percent.¹⁹ This divergence in tariff structures complicates trade with the region by increasing transaction costs. Enterprises importing into the GCC region have to familiarize themselves not only with one set of customs procedures and tariffs, but with six. In addition, once they have entered the GCC, the flow of their goods across GCC borders is subject to restrictions, raising costs of transportation, storage etc.

Another reason the EU has insisted on a customs union is that the absence of a common external tariff renders negotiations difficult, as each of the six GCC countries operates from a different starting point. Finding agreement on a common tariff structure has been a long process on the part of the GCC countries, and real progress has been made only recently.

A second impediment to trade liberalization has been the pressure exerted on the EU by its petrochemical industry. A strong lobby, represented by the European Council of Chemical Manufacturers' Federation²⁰ and backed by influential labor unions, this industry demands protection against competitive imports from the oil-rich countries. As Commissioner Cheysson pointed out in a 1987 interview, this resistance ran counter to the more strategic interests of the European Community:

The Gulf is the [European Community's] third largest trading partner after [the European Free Trade Association] and the United States. The services industry is largely responsible for this surplus. Only one Gulf country – Kuwait – is a member of GATT. The others are therefore totally free, from a legal point of view, to suddenly increase duties or take

discriminatory measures against us. This market, which is highly important for our services and industrial sectors, is therefore vulnerable. Should we continue to stay in a vulnerable position to protect them and to give our petrochemical industry enough time to restructure? We think that this is a dangerous game to play. The Community is therefore divided on this point.²¹

Third, the EU has pursued an environmental policy that is in glaring contradiction to the interests of the Gulf states: In conjunction with the U.N. Framework Convention on Climate Change, the Union has been trying to stabilize CO² emissions at the 1990 levels by the year 2000 and improve energy efficiency. For this purpose, the European Commission proposed the introduction of a mandatory Community-wide energy and carbon dioxide tax. The matter is still under discussion, as the European Council has not been able to reach an agreement on this proposal or alternative suggestions.²² Of course, inducing Europeans to consume less energy by raising its price runs counter to the interests of the GCC governments, as does any policy geared towards the reduction of dependence on oil. After all, a high demand for oil is vital for the GCC governments. The European Commission recognized this when it wrote in 1995: "The [European Community] has tended to consider GCC objections to issues such as a possible EC carbon-energy tax as a concern with the shadows rather than the substance of energy interdependence."²³

These problems have obstructed the free-trade negotiations, and by the mid-1990s this led to considerable frustration among the partners. Therefore the two

sides decided to postpone the 1995 session of the Joint Council. A ministerial meeting in Troika formation²⁴ took place in its stead.

Economic Cooperation

Economic cooperation has covered the areas of energy, environment, industry, standards, customs, human resources and investment.²⁵ These areas are of varied importance to the EU and the GCC. Energy cooperation has been of particular interest to the EU, and industrial-cooperation projects serve both sides' interests. The EU benefited from the promotion of joint ventures, thus helping realize the goal of increasing economic interdependence through cross-investments. At the same time, by advertising investment opportunities it catered to the GCC's desire for technology transfer through investment. Standards and customs cooperation helped render the standards of the two blocs more compatible and reduce their roles as non-tariff barriers to trade.²⁶ Also, by familiarizing each other with the different customs procedures, transaction costs were lowered. Environmental cooperation, on the other hand, mainly benefited the GCC countries, which suffer heavily from environmental problems such as fish deaths and water pollution.²⁷

This third pillar comprises diverse projects that have been compatible with the goals of the cooperation agreement without carrying the political weight of the free-trade negotiations. The free-trade negotiations require a sincere commitment on both sides and the willingness to compromise. At the same time, they constitute a big step towards the goal of institutionalizing interdependence. Economic cooperation constitutes the "low-budget" piecemeal, second-best alternative. The political cost

of these projects is lower, as they can be pursued without alienating domestic lobbies or offsetting the impact of broader goals such as EU environmental policy. On the other hand, their contribution to institutionalizing interdependence is much smaller. Instead of a genuine commitment, they are a gesture of goodwill. This is preferable to no cooperation at all, as it helps maintain faith in the future of the relationship.

The projects pursued in the areas of energy, environment, industry, standards, customs, human resource development and investment, have covered a wide range of approaches, and the input of the private sector has been given serious consideration.

Energy

In the field of energy, a working group was created that met for the first time in 1992 in Brussels and for the second time in 1993 in Abu Dhabi. It reported directly to the Joint Cooperation Committee. Among other things, it suggested organizing a conference on natural gas, which was held in Doha, November 17-18, 1996 and setting up a conference on advanced oil and gas technologies in Bahrain, October 13-17 1997.²⁸

The private sector was involved in the implementation of the energy-related projects, as seen from the example of the Joint EU-GCC symposium on energy policy that took place in Muscat, Oman, April 19-20, 1994. The Ministry of Petroleum and Minerals of Oman organized this event in conjunction with the Directorate General for Energy of the European Commission, and it addressed both governmental representatives and top-level business executives from both regions. The issues it covered in its five sessions in-

cluded the institutional framework of EU-GCC cooperation, energy developments in both blocs, the future of oil, the future of gas, and EU-GCC cooperation in the energy field.²⁹

Environment

In the environment sector, a working group was established as well. It met for the first time in 1992 in Brussels to explore the potential for environmental projects.³⁰ One of the most outstanding and often cited projects in this sector was the marine habitat and wildlife sanctuary for the Gulf region, in Jubail, Saudi Arabia. In 1991, in the aftermath of the Gulf War, the European Council asked the European Commission to initiate support for the authorities in the Gulf in clearing the oil spills and combatting environmental pollution. In the spring of the same year the Commission decided to install the Jubail project, which aimed at restoring the marine wildlife areas and allocated two million ECUs. The Senckenberg Research Institute, Frankfurt am Main, Germany, was commissioned with the execution of the project in cooperation with the Saudi National Council for Wildlife Conservation and Development. In October 1991, an international, interdisciplinary team of scientists from six EC countries along with Saudi Arabia and Kuwait began its work.³¹ The project was repeatedly praised as a success and served as a model for later ventures.³²

In 1993, the European Community sent an exploratory mission to the Gulf, in the course of which the GCC proposed joint environmental science and technology workshops. As a result, the Joint Cooperation Committee approved proposals for workshops to be held on marine environment, plant protection, material science,

management of water resources and desalination. Workshops held in 1998 include an EU-GCC Marine Pollution Workshop November 2-4, 1998, which made recommendations for future cooperation projects, and a workshop on hazardous waste management in Saudi Arabia October 11-13, 1998.³³

In 1998, the Joint Council supported the creation of a network of marine protected areas in GCC countries, based on the Jubail experience. This follow-up project is currently under preparation by the GCC. And "as far as marine pollution is concerned, the technical phase of the feasibility study on marine port reception facilities in the Gulf is nearing completion."³⁴ Finally, the ministers expressed their desire to implement activities in the new area of air pollution.³⁵

Industry

As is the case for the energy and the environment sectors, a working group was established on industrial cooperation. It met for the first time in 1992 in Qatar.³⁶ The most important component of industrial cooperation, and the one which has served the goal of increasing economic interdependence as well as that of technology transfer most immediately, has been the organization of industrial conferences. To date, three of these have been held in: Granada, February 18- 22, 1990; in Doha, October 25-27, 1992; in Muscat, October 16-18, 1995. These industrial conferences have been lauded by the Joint Council, and in a press release pertaining to the Industrial Conference in Doha it noted that more than 180 European business executives as well as about 200 businessmen from the Gulf had registered. The Qatari minister of energy and industry participated as well as

Martin Bangemann, European commissioner for the internal market and industrial affairs, and ministers from EU member countries. The conference offered a forum for business leaders "to initiate practical talks on all aspects of doing business." Post-conference site visits to industrial zones in Kuwait, Qatar, Saudi Arabia and the UAE were organized,³⁷ and another such event is planned for 1999.³⁸

Following the recommendation by the conference to extend gas cooperation, the GCC secretariat and the EU Commission decided to launch a joint study to examine the prospects for trade in natural gas.³⁹ This indicates how seriously these industrial conferences and thus the input of the private sector have been taken. Also, a proposal based on a recommendation by the Muscat conference led the 1996 Joint Council to decide on an increase in the number of business conferences and meetings.⁴⁰

Standards

A meeting between representatives of the GCC and European standards organizations took place in Brussels in March 1993. At this meeting the GCC delegates invited the European side to visit the Standards and Metrology Organization of the GCC (GSMO) the following October. As a result of this exchange, the GSMO and the European Commission signed a memorandum of understanding in 1996. It covered a three years Standards Cooperation program. This program focused on training for and assistance to the GSMO and was coordinated by a resident European specialist. In 1998, the Joint Council voted to prolong the Standards Cooperation Program for a fourth year. The GSMO requested additional activities, and the Joint

Council opted to include telecommunication standards into standards cooperation.⁴⁰

Customs

The Joint Cooperation Committee decided that a representative of the European customs organization "Eurodouane" should visit the GCC secretariat in Riyadh and discuss possibilities for cooperation in the training of GCC customs officers. In light of the GCC's intention to create a customs union, the Committee members considered EC experience in dismantling frontiers to the Common Market as particularly valuable for cooperation purposes. The resulting cooperation program began in 1994 and ended in 1997. At its 1998 meeting the Joint Council called its implementation successful.⁴²

Human Resources

As it does not fall within the category of customs procedures, human-resource cooperation took the form of seminars. An EC-supported conference on human-resource development was held in Oman December 14-15, 1992. It made recommendations for further cooperation, especially in the field of middle-management training, to the Joint Cooperation Committee that met in 1993. April 26-30, 1993, a seminar took place at the Institute of Public Administration in Maastricht. It addressed issues of European and regional integration and focused on the role of public administration in the integration process.⁴³

Investment

While investment could be subsumed under the broader category of industrial cooperation, it deserves being mentioned independently, for the GCC countries have long criticized the low level of European

investment, which they badly need to keep up with their rapid population growth. This led the Joint Cooperation Committee to request a study on reciprocal investment conditions. By October 1998, the consultant in charge had finished the report and presented its results to the Joint Cooperation Committee, which set out to examine its policy recommendations.⁴⁴

GCC Mission

The GCC opened a mission to the European Union in 1994.⁴⁵

THE TURNING POINT

In 1995, discontent among the signatories to the cooperation agreement loomed large. GCC countries complained about the lack of European investment in the Gulf region. Economic cooperation did not fulfill their expectations. For its part, the Commission assessed the progress of EU-GCC cooperation as unsatisfactory, saying that "in parallel to the free-trade negotiations, concrete results deriving from the Cooperation Agreement have been slow."⁴⁶ Therefore, 1995 marks a turning point in the relationship. Trying to instill the alliance with new life, the two sides postponed the session of the Joint Council until the next year, and in its stead an EU-GCC ministerial meeting in Troika formation took place in Granada. To ensure progress in the relationship, the Troika ministers made the following recommendations: 1) The EU-GCC political dialogue was to be strengthened. 2) Solutions should be found for ending the stalemate in the free-trade negotiations. 3) Economic cooperation should be increased. 4) Cooperation aimed at raising reciprocal understanding, especially in culture and science, was to be introduced. These recommendations were

approved by the EU-GCC foreign ministers meeting in New York on September 24, 1995. Supporting this new élan, the Council of EU Foreign Ministers in Brussels asked the European Commission in January 1996 to open a legation in Riyadh.⁴⁷

In April 1996 the Joint Council debated the proposals put forth by the Granada Troika. The importance that both sides attached to reinvigorating their relationship was underlined by the fact that this time mostly foreign ministers, rather than senior officials, led the government delegations. The Joint Council endorsed the recommendations made by the Granada Troika. Specifically, it was agreed that the political dialogue should be promoted, and, for this purpose, meetings at senior-official level should be held twice a year. To increase economic cooperation, the Joint Council decided to transcend "traditional" areas in which joint projects had been carried out – environment, industry, standards, customs, human resources and investment – and establish decentralized cooperation in the field of business relations. Regarding cultural cooperation, the Council urged the Cooperation Committee to implement the proposals aimed at establishing cooperation among press, radio and television officials of the two regions. Also, it asked the Cooperation Committee to bring forward a program of decentralized cooperation in the field of university and professional training. In particular, the ministers recommended cooperation between the Arab Gulf University in Bahrain and the Euro-Arab Management School in Granada to improve management training in the GCC region. From 1995, a shift in emphasis occurred away from free-trade negotiations. Economic cooperation and political dialogue, the two other pillars of the partner-

ship, were expanded in scope and highlighted in importance. Thus, the free-trade negotiations no longer occupied center stage. This is understandable in light of the fact that it was primarily the trade relations which had led to consternation between the two sides. And in view of the commitment necessary to overcome the hurdles that had caused the deadlock in the first place, focus on overcoming the stalemate in the free-trade negotiations could have led to further estrangement. It was therefore necessary to emphasize other aspects of the relationship and try to unblock the negotiations in the background.

In addition to stepping up economic cooperation and political dialogue, cultural cooperation was introduced to enhance mutual understanding on the level below government, i.e. parliaments and other non-governmental actors such as the media, which escape governmental control and may counteract its strategy. The introduction of cultural cooperation has to be viewed in light of the ongoing criticism by European media and European parliaments of social practices prevalent in the Gulf states, which has tended to cause alienation on the part of the targeted governments. The 1997 row between the UAE and the European Parliament is a case in point. In September it criticized the UAE courts for having passed the death sentence on two individuals who were convicted of murder and other crimes. As a result, the UAE government summoned the ambassadors of the European Troika and expressed "deep anger and resentment" over what it considered an interference in internal affairs. According to *The Emirates News Bulletin*, Sheikh Hamdan bin Zayed al Nahyan, minister of state for foreign

affairs, stated, "The UAE respects the sovereignty of the European Union countries, their freedom to choose their religious beliefs and does not interfere in their internal affairs. Likewise, we reject any interference in our internal affairs, our religious beliefs and our Islamic Shariah."⁴⁸

Cultural cooperation, therefore, serves the more tactical purpose of bolstering the success of the three other pillars of cooperation. A statement by the European Commission is telling:

GCC countries should be encouraged to become signatory parties [to international human rights conventions] and fully apply international instruments in relation to human rights ... More openness and transparency on these issues would help counter reflexive European media and parliamentary critics of GCC practices.⁴⁹

Developments in the New Fields

Since this decisive session of the Joint Council, progress has been made in the fields of decentralized business relations, management training and university as well as media cooperation, which now supplement the more traditional areas of economic cooperation.

Decentralized Business Cooperation

The 1996 Joint Council endorsed the proposal for a study examining the establishment of an EU-GCC Technology Information Center (TIC) in Muscat, Oman. Its purpose is to ensure the "collection, analysis, and dissemination of data on commercially relevant EU technology which would assist the economic development and diversification of GCC economies."⁵⁰ By October 1998 the concept

study for the project was carried out, and the EU agreed to finance an implementation study for the project. In addition to carrying the financial burden of the analysis, it also "offered a significant contribution to the overall financial arrangements."⁵¹ The 1998 Joint Council expressed its hope to soon agree on the financing of the Center and to quickly implement the project.

In addition, the Joint Council decided to introduce several instruments into the Gulf region that the European Union has used to promote cross-border cooperation among small and medium-sized enterprises (SMEs). These instruments are Interprise, BRE and BC-Net and ECIP.

- Interprise

Traditionally, the purpose of the Interprise program has been to support local, regional and national initiatives that further transnational cooperation between SMEs in Europe. Under the program, one main organizer and two partners from three different member-states of the EU organize events where leaders of SMEs engage in a number of prearranged bilateral meetings with potential business partners from other countries. The goal is to stimulate transnational business activity through the conclusion of cooperation agreements across borders. An approved Interprise event can receive a financial contribution from the European Commission of up to 60,000 euros.⁵²

Interprise was adapted to EU-GCC cooperative relations for the first time in May 1997, when an EC-GCC sectoral business meeting took place in Riyadh, Saudi Arabia. The 1998 Joint Council supported the agreement between the European Commission and the Federation

of GCC Chambers of Commerce to organize a second event from November 29 to December 1 this year in Dubai. The sectors covered include energy, communications and information technology, healthcare, environmental industries and services, wood products and furniture, construction materials, and food and beverages. The event will be offered in combination with an Industrial Conference.⁵³

- BRE/BC-Net

BRE (Bureau de Rapprochement des Entreprises or Business Cooperation Center) and BC-Net (Business Cooperation Network) are information networks designed to broker cross-border business partnerships between SMEs both within Europe and outside. With the help of business counsellors, enterprises interested in partnership develop cooperation profiles. These are entered into a central database administered by the European Commission, and the information on these firms is retrieved and disseminated by BRE correspondents or BC-Net members at other ends of the network. The BRE correspondents or BC-Net members are private and public organizations, professional organizations, regional development agencies, consulting firms, banks etc., which have signed an agreement with the Commission. While there is overlap between BRE and BC-Net, distribution of opportunities through the BRE can take forms other than the Internet. The BC-Net, on the other hand, is based on online access to the computerized database.

Also, BC-Net members commit themselves to providing consultancy services to interested enterprises, which is not required for membership in the BRE.

Composed of around 500 organizations located in more than 70 countries, the geographic scope of the BRE network is much larger than that of BC-Net, which is composed of around 300 organizations located in 39 countries.⁵⁴

In order to provide the infrastructure necessary for decentralized business cooperation, the 1996 Joint Council agreed to introduce both BRE and BC-Net into the GCC. In 1997 the Commission informed the Joint Council of its intention to identify potential correspondents for BRE or BC-Net members in the area of the Gulf states, and the 1998 Joint Council called upon GCC chambers of commerce to become correspondents of the BRE network in the region.⁵⁵

- ECIP

While BRE and BC-Net serve to disseminate information on investment opportunities, ECIP (European Community Investment Partners) is a financial instrument that facilitates the creation of joint ventures between SMEs located in the European Union and those in a diverse range of developing countries. ECIP provides financing not easily found on the market. By doing so, it enhances access to private sources of finance. ECIP support is given to investment projects in which EU and local companies cooperate either in joint ventures or through licensing agreements or in privatization or private infrastructure projects. Such support is provided through a number of financing facilities, which cover the various phases of an investment project. Access to the ECIP fund is possible through financial intermediaries that have signed a framework agreement with the European Commission. In May 1997, the only financial intermedi-

ary located in the GCC was the Bahrain Development Bank.⁵⁶

In 1996 the Joint Council supported the proposal to strengthen ECIP presence in the GCC region. In 1998 the Council was informed that there were five partner institutions in the GCC countries and that the Commission receives financing requests for projects in the GCC on a regular basis.⁵⁷

Cultural Cooperation

- Decentralized Cooperation in Professional Training

In April 1997, the Euro-Arab Management School in Granada and the Arab Gulf University in Bahrain organized a joint workshop on how to improve management training in the GCC region. In 1998, the Joint Council expressed its wish to see cooperation in the field of management training intensified. Acknowledging the role of the Euro-Arab Management School in this cooperation, it supported plans to arrange a visit to the school by the heads of GCC public and private management institutes.⁵⁸

- University Cooperation: Regional Studies

Kuwait University arranged a workshop in April 1997 to study ways of introducing European studies to Gulf universities and Gulf region studies to European universities.⁵⁹ Subsequently, the European Commission issued a "call for expression of interest" in its Regional Studies Cooperation for qualified PhDs. The program is described as follows:

The European Union and the countries of the Gulf Cooperation Council ... have decided to establish programs of decentralized cooperation between universities. The program on Regional

Studies Cooperation will consist mainly of a program of lectures by visiting professors in Gulf Region Studies at a number of universities in the EU and in European Studies at a number of GCC universities. The aim is to introduce Gulf Region Studies at universities in the EU and European Studies at universities in the GCC. For the purposes of the program, "European Studies" includes primarily the construction of the European Community and its related institutional, legal, political, economic and social developments as well as the history of the cooperation/integration process in Europe since 1945.⁶⁰

• **University Cooperation: Science and Technology**

The 1998 Joint Council agreed on the proposal for a pilot phase program of 4-6 cooperation projects in the fields of joint research and academic cooperation. These projects include efforts to develop mutually recognized curricula and diplomas.⁶¹

• **Media Cooperation**

The 1998 Joint Council agreed to conduct an assessment study on the needs of GCC media. This study is to be followed up through the arrangement of two workshops, one on printed media and a second on audio-visual media. These workshops will recommend project proposals in areas such as training, technology, distribution, exchange of information and co-production.⁶²

CONCLUSION

On the part of the GCC countries, cooperation within the framework of the 1988 agreement was meant to serve both short- and long-term economic goals. In the short term, they have hoped to gain

technology transfer through greater investment and the implementation of cooperation projects. In the long term, they aim to reduce dependence on oil revenues through diversification. In addition, they want to boost their revenues by achieving duty-free access to the European market. On the part of the European Union, securing future energy supplies by increasing interdependence through cross-investments is an important goal.

Until 1995, the relationship rested on trade liberalization talks, economic cooperation and political dialogue. Trade liberalization talks turned out to be a difficult undertaking. Three factors acted as major impediments. The GCC countries were not able to unify their widely differing tariff structures and thus fulfill the conditions that the European Community had set for engaging in free-trade negotiations. On the part of the EU the problems have been a strong petrochemical lobby and an environmental policy that aims at reducing CO² emissions and runs counter to the interests of the GCC.

Pursuing economic cooperation proved more feasible, and projects in the areas of energy, environment, industry, standards, customs, human resources and investment were carried out. However, economic cooperation has constituted a second-best alternative to free-trade negotiations. On the one hand, the political cost for the participants has been minimized, since this approach is piecemeal and does not require fundamental political concessions. On the other hand, the gains for both sides have been small as well.

By 1995, considerable frustration existed among the signatories, for progress in deepening the relationship was slow. As a consequence, the Granada Troika made

several suggestions that the 1996 Joint Council endorsed. These suggestions entailed institutionalizing the political dialogue, increasing economic cooperation by adding decentralized business cooperation, and introducing cultural cooperation to enhance mutual understanding on the level of civil society. The effect has been a shift in emphasis away from the difficult and frustrating trade-liberalization talks through the increase in importance of the other pillars of cooperation. The introduction of cultural cooperation was an effort to create a climate of goodwill among the civil societies of both blocs and reduce the sort of criticism that has led to alienation among the governments.

The result has been a cooperative relationship that forms a tent-like structure and operates at multiple levels. Since 1988, the relationship has indeed deepened and become more institutionalized, even though not at the pace that had been envisaged originally. Political dialogue, practiced since the inception of the Joint Council, became a formal part of the relationship with the 1996 decision to not only pursue dialogue on the ministerial level, but to hold twice-yearly talks on the level of senior government officials as well. Thus ministerial meetings take place at least once a year, possibly supplemented by conferences at the margins of the U.N. General Assembly and meetings involving only the Troika on the European side.⁶³ In addition, prior to 1995, meetings at the senior-official level were held at least once a year in the form of Joint Cooperation Committee sessions. While these meetings have most likely been used to prepare the Joint Council sessions, the newly established dialogue among senior officials uniquely serves the discussion of political matters.

Economic cooperation has yielded some successful projects such as the Marine Wildlife Sanctuary in Jubail or the industrial conferences. These projects are likely to be repeated or followed up with new proposals. The newly added area of decentralized business cooperation is still in the beginning stages. While the 1997 Interprise event was successful and will be followed by another event later this year, the Technology Information Center to be built in Oman is still in the planning stage. The introduction of BRE, BC-Net and ECIP into the Arabian Peninsula has not yet made sufficient progress to warrant evaluation, but the importance of these services is likely to grow.

Cultural cooperation is in its infancy as well. The introduction of Gulf Region Studies in the EU and of European Studies in the Gulf has yet to begin, and media cooperation is still in its pilot phase. While any effort to enhance mutual understanding among societies is valuable, these projects will take a long time to yield results that help bolster the other pillars of cooperation. If Gulf Region Studies is indeed introduced as a major field of study in its own right, independently of the more traditional field of orientalism or Islamic studies, several years will pass before the first cohort of M.A. students graduates. If this new major combines knowledge of the area with other fields of study, such as international relations, economics or business relations, an elite of highly educated experts on the region will emerge who can then take positions as consultants to business enterprises or political leaders and assist in broadening business or governmental interaction. However, on the part of the general European population, which is not involved with Middle Eastern culture or

Islam, reducing the widespread prejudice against Arabs and Muslims will be much more difficult to achieve and take a much longer time, as it requires a concerted effort on the part of opinion leaders to convey images of the Gulf states that promote understanding rather than hostility. If this is a goal of cultural cooperation, the means provided for its realization are insufficient.

As far as trade negotiations are concerned, the 1998 Joint Council acknowledged progress made by the GCC countries in unifying tariff structures. The communiqué then mentions:

the report submitted to it by the Joint Cooperation Committee on the informal discussions of the Draft Elements of a free-trade agreement. The Joint Council agreed in 1997 that the Elements could be a basis for future work ... The two sides should enter into the second phase of the negotiations consisting of the comparison of the respective negotiating directives in preparation of the final phase of the negotiation of arrangements for specific products.⁶⁴

What this means with respect to progress in the negotiations is difficult to

ascertain. What we do know, though, is that the GCC countries continue to lobby against the energy tax, which is not off the table. In addition, Dubai, with the help of Bahrain Aluminium, is campaigning for the abolition of the European Union's 6-percent duty on Gulf exports of primary aluminium.⁶⁵

The Gulf countries have recently completed classification of 1,286 import items. Three categories have been created: goods exempted from tariffs, basic goods to be lightly taxed, and luxury items. An agreement has now to be found on the actual tariff ceilings for these three categories. Following a request by the GCC, the World Bank prepared a report on the unified customs tariff.⁶⁶ The target date for the customs union is March 2001.

Whether this deadline will be met is uncertain, especially in light of the fact that past deadlines were missed as well. Yet, with categorization of goods still falling short of the EU requirement of a customs union, the GCC countries have demonstrated their seriousness in trying to unblock the negotiations and can therefore expect concessions from the other side. This means that the ball is now in the court of the Europeans. How they will react remains to be seen.

Appendix I

Trade of the GCC countries with the world and with the European Union
 (Source: *1996 International Trade Statistics Yearbook-Volume 1: Trade by Country*.
 United Nations, New York, NY, 1997, pp. 68, 585, 779, 842, 895, 1057.

Bahrain	1992	1993	1994	1995	1996
Trade Bal. Surpl.: Wrld ¹	-807,683	-147,952	-309,624	437,292	509,839
Trade Bal. Surpl.: EU ²	-917,028	-648,899	-686,369	-597,676	-635,325
% of Exp.: EU ³	2.9	2.7	2.4	2.9	1.3
% of Imp.: EU ⁴	23.8	19.4	20.4	19.7	16.9

Kuwait	1991	1992	1993	1994	1995
Trade Bal. Surpl.: Wrld ¹	-2,401,940	-666,118	3,476,967	5,284,125	5,154,666
Trade Bal. Surpl.: EU ²	-1,044,571	-2,408,002	-2,724,362	-2,261,977	-2,396,399
% of Exp.: EU ³	0.7	0.3	0.2	1.3	0.2
% of Imp.: EU ⁴	30.1	33.5	39.0	36.3	38.1

Oman	1991	1992	1993	1994	1995
Trade Bal. Surpl.: Wrld ¹	1,679,536	1,682,000	1,185,468	1,503,263	1,668,833
Trade Bal.: Surpl.: EU ²	-843,282	-877,377	-851,744	-887,316	-1,132,462
% of Exp.: EU ³	1.0	0.9	1.1	0.9	0.9
% of Imp.: EU ⁴	27.9	24.6	22.1	23.9	27.9

Qatar	1990	1991	1992	1993	1994
Trade Bal. Surpl.: Wrd ¹	1,946,338	1,489,712	1,825,298	1,354,719	1,285,577
Trade Bal. Surpl.: EU ²	-712,309	-646,261	-734,606	-615,115	-638,506
% of Exp.: EU ³	0.6	1.0	0.7	0.4	0.5
% of Imp.: EU ⁴	43.4	39.4	37.9	33.2	33.9

Saudi Arabia	1990	1991	1992	1993	1994
Trade Bal. Surpl.: Wrd ¹	20,347,348	18,716,409	17,032,881	14,193,846	19,271,443
Trade Bal. Surpl.: EU ²	-484,826	-548,763	-887,541	-289,720	1,528,150
% of Exp.: EU ³	18.4	21.2	22.0	23.0	22.6
% of Imp.: EU ⁴	35.9	36.8	36.0	35.6	34.7

U.A.E.	1989	1990	1991	1992	1993
Trade Bal. Surpl.: Wrd ¹	-8,636,496	-7,635,113	-9,622,674	-12,052,555	-10,000,625
Trade Bal. Surpl.: EU ²	-2,850,584	n/a	-2,556,685	-3,678,919	-3,325,470
% of Exp.: EU ³	9.4	n/a	16.3	25.2	11.3
% of Imp.: EU ⁴	31.1	32.3	25.8	30.2	27.2

- 1: Trade-balance surplus with the world in current U.S. Dollars, calculated as exports minus imports.
- 2: Trade-balance surplus with the European Union in current U.S. Dollars, calculated as exports minus imports.
- 3: Exports to the European Union as a percentage of exports to the world.
- 4: Imports from the European Union as a percentage of imports from the world.

¹ For hardcopies of the online documents, please contact the author at ns2742a@american.edu. The URL of Lexis-Nexis Academic Universe is: <http://web.lexis-nexis.com/universe>. The URL of EUR-Lex is: <http://europa.eu.int/eur-lex>. The URL of Rapid is: <http://europa.eu.int/rapid>.

² E.g. Giacomo Luciani, "Euro-Arab Cooperation and Conflict in the Areas of Oil and Gas" in *Distant Neighbours: The Political Economy of Relations between Europe and the Middle East/North Africa*, ed. Nazih N. Ayubi. (Reading, United Kingdom: Ithaca Press), 1995, pp. 65-87. For a history of this dialogue see Haifaa A. Jawad, *Euro-Arab Relations: A Study in Collective Diplomacy*, (Reading, United Kingdom: Ithaca Press), 1992.

³ EU/Mediterranean States: Barcelona Declaration Sets Out Cooperation Goals, European Report, no. 2089, 12/02/1995 [online], available: Lexis-Nexis: Academic Universe.

⁴ E.g. Bichara Khader, *L'Europe et les pays arabes du Golfe: des partenaires distants*, (Paris, France: Publisud), 1994.

⁵ Cooperation Agreement between the European Economic Community, of the one part, and the countries parties to the Charter of the Cooperation Council for the Arab States of the Gulf (the State of the United Arab Emirates, the State of Bahrain, the Kingdom of Saudi Arabia, the Sultanate of Oman, the State of Qatar and the State of Kuwait) of the other part. Document 289A0225 (01). Official Journal of the European Communities No. L 054, 25/02/1989 P. 0003-0015. [online]. Available: EUR-Lex.

⁶ Art. 10.

⁷ When speaking about the European Union, the "Troika" comprises the government that holds the current presidency of the European Council, as well as the previous and the upcoming presidents.

⁸ Ministerial Meeting and 6th EU-GCC Joint Council - Luxembourg, 22 April 1996, DN: PRES/96/103, Date: 1996-04-22 [online]. Available: Rapid. Hereafter referred to as: 6th EU-GCC Joint Council.

⁹ *EU-GCC Ministerial Meeting and 8th Joint Council (Luxembourg, 27 October 1998) Joint Communiqué*. Press Release by the European Council: CE-GOLFE 3503/98 (Presse 361). Hereafter referred to as *8th Joint Council*.

¹⁰ Anthony H. Cordesman, *Stability and Instability in the Gulf*, (Washington, DC: Center for Strategic and International Studies), 1999.

¹¹ Anthony H. Cordesman, The United States, Japan, Europe and the Gulf Meeting External Challenges, March, 1997, Center for Strategic and International Studies [online]. Available: <http://www.csis.org/mideast/reports/euusjglf.html> [accessed 04/27/1999].

¹² See Appendix I.

¹³ Anthony H. Cordesman, *Stability and Instability in the Gulf*, (Washington, DC: Center for Strategic and International Studies), 1999, p. 56.

¹⁴ Luciani, op. cit.

¹⁵ *Communication from the Commission to the Council: Improving Relations between the European Union and the Countries of the Gulf Cooperation Council (GCC)*. Commission of the European Communities, 11/22/1995. COM(95) 541 final. Hereafter referred to as: *Communication from the Commission*.

¹⁶ Iran Criticized Gulf-U.S. Military Maneuvers, Xinhua News Agency, 04/11/1999 [online], available: Lexis-Nexis: Academic Universe; UAE Reiterates Sovereignty over Islands, Xinhua News Agency, 04/25/1999 [online], available: Lexis-Nexis: Academic Universe.

¹⁷ *8th Joint Council*.

¹⁸ See for instance: Ministerial Meeting and 7th EU-GCC Joint Council Doha, Qatar, 17 February 1997, DN: PRES/97/27, Date: 1997-02-07 [online]. Available: Rapid. Hereafter referred to as: 7th Joint Council.

¹⁹ Trade Compliance Center: Middle East, Gulf Cooperation Council, National Trade Estimate Reports 1998, Country Report [online]. Available: <http://www.mac.gov/tcc/country.htm> [accessed: 02/25/99].

²⁰ "EEC/Gulf: Commission Proposal Greeted with Disappointment," *European Report*, no. 1348, 10/14/1987.

²¹ "Exclusive Interview with Claude Cheysson, EEC Commissioner for North-South Relations: EEC/Arab Countries and UNCTAD VII," *European Report*, no. 1328, 07/08/1987.

²² *Second Communication from the European Community under the UN Framework Convention on Climate Change*. Directorate-General XI for Environment, Nuclear Safety and Civil Protection, European Commission, 06/26/1998, p. 8.

²³ *Communication from the Commission*, p. 6.

- ²⁴ The past, present and future EU presidents met with three representatives of the other side.
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- ³⁰ "EC/GCC: Differences Persist over Energy/Carbon Tax," *European Report*, no. 1851, 04/17/1993.
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- ³² See for instance: *8th Joint Council*.
- ³³ "EC/GCC: Differences Persist over Energy/Carbon Tax," *European Report*, no. 1851, 04/17/93. "EC-GCC Joint Cooperation Committee Meeting, 04/15/1993," Internal Briefing by the European Commission, Brussels 04/16/1993, BIO (93) 97; *8th Joint Council*.
- ³⁴ "EU/Gulf States: Prospect of Free Trade Agreement Taking Shape," *European Report*, no. 2354, 10/28/1998.
- ³⁵ "EU/Gulf States: Prospect of Free Trade Agreement Taking Shape," *European Report*, no. 2354, 10/28/1998.
- ³⁶ "EC/GCC: Differences Persist over Energy/Carbon Tax," *European Report*, no. 1851, 04/17/93.
- ³⁷ Businessmen Gather for EC-GCC Industrial Conference, DN: IP/92/831, Date: 1992-10-19 [online]. Available: Rapid.
- ³⁸ *8th Joint Council*.
- ³⁹ EU/Gulf States: Energy Partnership to Be Extended to Natural Gas, *European Report*, no. 2177, 11/23/1996 [online]. Available: Lexis-Nexis.
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⁵⁸ 7th Joint Council; *8th Joint Council*.

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